

**Work Session
June 3, 2003**

The Montgomery County Board of Commissioners met in a work session on Tuesday, June 3, 2003 at 4:00 p.m. A full board was present. *Chairman Maness called the meeting to order and the following was heard:*

Discussion of Refund of Septic System Permit Application Fee

The Board discussed the following memo that was included in the agenda packet:

To: Lee Matthews, Montgomery County Manager
Montgomery County Board Of Commissioners

From: Jon K. Fowlkes, Environmental Health Program Coordinator

Through: Kathleen DeVore-Jones, Health Director

Date: May 23, 2003

Re: Application for Improvement Permit #2003117 by Mr. Clyde Curl

On May 22, 2003, Mr. Clyde Curl re-applied for an Improvement Permit for lot #8 in Woodrun Subdivision. Mr. Curl had to re-apply for this lot because his previous Improvement Permit, #96357, expired on July 14, 2002, **and** because his septic system contractor improperly installed septic line onto property owned by Progress Energy Carolinas, Inc. that did not have a valid Improvement Permit. Because these lines were installed onto property not owned and controlled by Mr. Curl and onto property that has not been evaluated for septic system suitability, our department could not issue the Operation Permit (required for power) when it was requested in the spring of 2002.

Due to the confusion of the situation and the Curl's lack of awareness of the needed steps to attain a valid permit, I am recommending that Mr. Curl's application fee of \$150 be refunded.

Please ask the Board of Commissioners to rule on this request at its next meeting. If you have any questions regarding this matter, feel free to contact me at 572-8175.

Chairman Maness, Commissioner Corbett and Commissioner Morris said they did not see a problem with refunding the septic system permit application fee.

Commissioner Knight said the contractor should pay it. Mr. Matthews said the Mr. Curl has taken legal action against the contractor. Commissioner Knight asked how long is a permit good for? Mr. Matthews said five years. Mr. Knight said the only problem I have is that we will have to give more refunds in the future if we allow this one. Chairman Maness and Mr. Matthews said these are extenuating circumstances.

Commissioner Knight said doesn't environmental Health normally mark where the lines will be. Mr. Matthews said yes. Chairman Maness said lines and all? Mr. Matthews said yes and he

explained the process of the inspection. Mr. Matthews said the contractor installed the lines wrong.

Commissioner Bostic asked if the tank had been used at all? Mr. Matthews said no, they never connected to it. Chairman Maness said the power company would not cut the power on. Mr. Matthews said they are in the process of putting in new lines.

Commissioner Bostic said the inspectors are going to have to do the same amount of work, he said I kind of agree with Commissioner Knight.

Commissioner Knight said this is what takes our people so long to get inspections done. Our people did their job.

Chairman Maness said they did, the guy probably should have move a little quicker.

The board agreed to carry this forward to the regular session.

Montgomery Fellowship Scholarship

Chairman Maness said Commissioner Bostic and some of the board had some questions about the Scholarship fund. Mr. Matthews said at the last budget work session there were some questions on how the fund was set up. He said the board's understanding was that it was to be set up in a separate fund. Mr. Matthews said we have the minutes from all of the meetings where it was first presented and adopted and you will see on page 123 and 124 when the budget was adopted on June 28, 2001 it was actually set up as a line item in the General Fund (\$72,821). At the end of the end of last fiscal year when the budget crunch hit and froze line items, because this was money that went unspent, they reverted back to the fund balance. Mr. Matthews said the money is there in fund balance but it is undesignated. Mr. Matthews said he thought that was the question the board had, whether the funds were designated. He said it may have been the intent to set it up this way, but it was never set-up that way originally. Mr. Matthews said last year once the scholarships were awarded to three folks, we went back and amended the budget and took that money back out of the fund balance and we appropriated \$15,000. He said that is what we have in the budget for next year.

Commissioner Bostic said apparently there are some minutes that are not here. He said at that time Commissioner Blake wanted to put this money and be handled through Montgomery Community College. At that time we said the money would stay with the county, because the county's fund would draw interest. He said the group we selected would make the recommendation of who would receive the scholarship and it would be funded from that. The money would be written from the General Fund. Last year it was decided not to be funded. Mr. Bostic said if you will notice on page 123 of the minutes, the fourth paragraph, it reads "... Commissioner Bostic said that, in the past, when the Board allocated money to the Montgomery County School Board, the School Board has not used the money the way he thought they would. Commissioner Bostic explained that he would vote for the 2¢ tax increase only if 1/2¢ of that would be allocated to the Montgomery County Fellows Scholarship Fund. . ." Mr. Bostic said that was the way the ½ cent was put into that. He said I am sure you read the other minutes on how it was suppose to be set up, counselors from East and West, one individual that the commissioners picked from a blind drawing, and they were supposed to work out the particulars on that. I faxed the counselor from East Montgomery Mrs. Bostic and asked her about the details on that. Mrs. Bostic was present. Mr. Bostic said she will speak if it pleases the board. Chairman Maness asked if they meet regularly? Commissioner Bostic said she can answer that. Mrs. Bostic said yes. She said the committee at that time was Dr. Pascal from West Montgomery, Dr. Lancaster from East Montgomery, Lou Anna Dorsett, myself, and Cathy Harris. She said they did meet regularly. Mrs. Bostic said we met with Dr. Johnson who was director of personnel on what kind of majors we should advise the students to major in. We wanted them to major in areas the county would have more use for. We did have regular meetings and we were told at the end of the year that it appeared that the money was only going to be there for one time to go ahead and select and appropriate the money. Mrs. Bostic said there was one recipient from West Montgomery who is now at MCC and plans to

transfer to a four-year program. She said West Montgomery also had a recipient who is at Methodist College. Our representative from East Montgomery is now at UNCG pursuing Elementary Education.

Commissioner Corbett asked for the names of the three who received the scholarships. Mrs. Bostic said they are Nancy Biggs, Kelly Reynolds, and Daniel Bruton.

Mrs. Bostic said her principal Dr. Lancaster could not come to the meeting, but asked her to convey his assurance that this was a wonderful idea in order to attract teachers who are already from the county and retain them. She said every year we have tremendous turn over. The feeling was that if we get students that are already tied to the county with family and friends here that this would be a wonderful way of keeping teachers in the county who are already invested here. She said I am not familiar with the West Montgomery candidates, but we could not have found a better one from East Montgomery. She said this year we had several equally deserving students, but there was not money.

Chairman Maness said this was for four years? Mrs. Bostic said yes. Commissioner Bostic said the Fellows said up to five years, also if a person wanted to go further in the graduate program as long as they would come back and it would benefit the Montgomery County Schools System.

Mrs. Bostic said the obligation to the county would be a six-year contract.

Commissioner Knight said Mr. Chair, I read over these minutes two or three times and I tried to find something that indicated that this was only for one year, and I couldn't find anything. You, Commissioner Morris, and Commissioner Bostic were Commissioners at that time, and I see quotes, unless the minutes are wrong, and I don't think they are wrong, I see quotes from all of you saying you were for raising the taxes. Mr. Knight said I noticed in one paragraph on page 124, third paragraph from the bottom, ". . . Commissioner Maness said he feels the same way. He struggled with the decision to raise taxes. He said the students and teachers are our main goal. . ." Commissioner Knight said that it seemed like everybody was talking about doing something for the school system here when they talked about raising the taxes two cents. That was the only reason for raising the taxes two cents was to do something for the school. That ½ cent I noticed in one area there, somebody mentioned 1 whole cent going for that program, but it ended up being ½ cent. Mr. Knight said Commissioner Bostic said he would go for the tax increase if ½ of it went for that program. Commissioner Knight said I can't understand anyone looking at this and saying all of this and getting one year out of it. He said I read over this two or three times and I couldn't find where it was for only one year. This was a program that was set up to continue because of our school system and our shortage of teachers. He said I don't understand it not being in the program last year. He said somewhere along the line, something didn't get completed as far as making sure the money was set aside and put into a trust or put somewhere to draw interest. He didn't get completed, but still the program there from taxpayers money for that purpose. He said somebody renigged last year and got away with that last year.

Chairman Maness said speaking on my behalf, I think that Montgomery Fellows is a good program. Nobody could speculate that we were going to get into a slow economic time that what we have gone through the last two years. It has been terrible times. If the economy would stay good and the State would have continued to give us our money that they had held, if revenues would have grown, then I think it would be something we could continue. He said I think we need to look into it and get some more teeth into it, and I think it is a good program. Chairman Maness said I don't think you should take all of the money and spend it at one time. I think we should hold some back and eventually get that fund, funding itself. Commissioner Knight agreed that it would eventually fund itself. Chairman Maness said when the economy turns, I think it would be a great program to put back into place. That is my feeling now with the times they way are now.

Commissioner Knight said I understand the tough time and all of that but, when you raise taxes two cents, it was for nothing else, it was for the purpose, the sole purpose. That is what I get out of the minutes, it was for the sole purpose. Now, if things change the next year, give the people their two-cent back.

Chairman Maness said we didn't give the 2-cent increase for just the Montgomery Fellows, it was a ½ cent. Really, the way Lee has gone through the budget, my feeling again is that he has cut less and a whole lot more in bringing his proposed budget to us.

Commissioner Morris said Commissioner Knight, I agree with that. We have to look at a budget every year, it was fine that year, and I agreed with the program, we just couldn't do it last year, and it doesn't look like we are going to be able to do it this year.

Commissioner Knight said are we going to be able to give the money back? Commissioner Morris said no, we need more money for the schools this year. Commissioner Knight said listening to what I am saying here, the tax money . . . Chairman Maness said I totally understand what you are saying, I do.

Commissioner Corbett said if anyone is in favor of cutting taxes, I am for it.

Commissioner Bostic said we are not going to fund the program, I think we should cut the taxes at least ½ cent, we should cut it 1 cent because we didn't fund it last year. That would make it right.

Mr. Matthews said just a little historical perspective for the two new commissioners, what happened also was the state withheld almost \$400,000 of the county money, that is when the commissioners said we are going to be short, so the board froze everything in the budget including that and in the current fiscal year they kept almost \$600,000 of our money. That is almost a \$1 million over the last two years, I think that is one reason the commissioners did what they did.

Commissioner Corbett said another reason is because of the interest on our money. Everything has hit us in the face. Chairman Maness said insurance went up over \$100,000. He said there are a whole lot of reason that have happened economically that have made my decision at this point in time to put the Montgomery Fellows program on hold. Chairman Maness said again, I am not saying I am against the program, I would like to be able to do it. There are a lot of funds that do wonders for the county, and I think it is something good, but when we are going through times like we are now, we need to be careful.

Commissioner Knight said he can understand being careful, but we are talking about the future of our county, as far as teachers. If we don't have teachers in this county to teach our children, how are our children going to be taught? Chairman Maness said we have to have teachers. Commissioner Knight said we have teachers now working out of their field, taking what we can get. This way we can send off our people and have a say so in what we get back to the county. Looks like this would weigh more importance over other stuff. If you talk about cutting, I can think of a lot of stuff to cut besides messing with education.

Chairman Maness asked how long are they guaranteed to work when they come back? Commissioner Bostic said six years.

Commissioner Corbett said that something that concerned him was the 2.8 grade point average. He said I thought that was ridiculous.

Commissioner Knight said I am no expert at education but the people that talk grade points are experts. Commissioner Corbett said it should be definitely higher with all of the talent we have in this county. Chairman Maness said you should have no problem finding a higher G.P.A. than that. Commissioner Bostic said most of the students applying was much higher than that. He said that was not to exclude a lot. He also said a lot of people make could students once they get to college and make great teachers.

Chairman Maness asked Mrs. Bostic where the recipients went to college? Mrs. Bostic said Methodist College (it was explained that it wouldn't pay anymore because the cost of going to a private school is higher). Chairman Maness asked who that is? Mrs. Bostic said Daniel Bruton. Mr. Maness said it is not paying anymore? Mr. Matthews said it is prorated. It was paid at the equivalent of public school. Chairman Maness asked if this was his first year? Mrs. Bostic said yes. She said Kelly Reynolds is attending UNC at Greensboro and Nancy Biggs is attending Montgomery Community College. Mrs.

Bostic said Ms. Biggs funding is less because she is attending a community college, but she does plan to transfer into the Pfeiffer program.

Commissioner Bostic said those funds equivalent to the ½ cent is \$70,000, but I don't think all of that would have been used in one year, not until more people got on. The first year we spent \$15,000 (according the County Manager), and Commissioner Bostic said with the \$75,000 in next year and hopefully it would have endowed itself and wouldn't have had to put more money into it.

Chairman Maness asked if anyone else had anything to say, this is a budgetary issue and we will be working on this again Thursday.

The board thanked Mrs. Bostic for attending the meeting.

Review of Preliminary Information on Insurance Quotes

Chairman Maness said we asked Mr. Matthews to go out and get quotes on all of our insurance and he is here to report on them. Mr. Matthews said I passed out a spreadsheet and hopefully everyone has one. He said we have three different programs: worker's compensation, health, and general liability.

Worker's Compensation

He said first off we did not receive any quotes on worker's compensation. We had several folks look at it, and one sent a letter back that said our rates were competitive and they really couldn't compete. He said right now worker's compensation would be with the county association. Mr. Matthews said that was one of the ones that went up, that made the biggest percentage jump this year and the second highest dollar jump. That was a \$85,000 increase over the current year, so we still have to live with that. He said last year we paid \$50,000 next year our premium will be \$135,000.

Health Insurance

We have two Health Insurance quotes. Each one gave us several options. He said the first column is the employee/spouse, child, family, etc., the next column is the NCACC, that is what are proposed premiums and costs are for the upcoming fiscal year. That includes medical and dental. He said we are looking at worst case scenario paying out \$1,113,000 in medical cost. The first quote we got was from First Carolina Care who is affiliated with First Health out of Pinehurst. They have two plans, one is a fully insured plan and the other one is what they call a minimum premium plan. Under their minimum premium plan there are three options. The first one is maximum minimum plan, projected minimum plan, and the minimum plan. As you can see what I did I took their premiums and multiplied it out for the employees in each of the categories and for the year. One thing we have to add to theirs and the other one I am going to explain is the run out claims. This is where we would contract with our current carrier for several months to cover any claims that may still be outstanding that have not been paid yet, since we are self-insured, we would have to pay any claims that would occur. Like, if someone got sick today and it will take a while to process the claim and get them paid out. The estimated administrative fee to cover run-out claims.

Mr. Matthews said even when you add that into First Carolina Care there are different plans, which would save us some dollars over what we would have to pay with the current carrier. Fully insured is a savings of \$75,000, maximum premium is \$52,000, projected is \$151,000, and the minimum is \$249,000. He said I will come back to that in a moment.

He said the next proposal is for ACS Benefits Services at of Salem Insurance Services in Winston Salem. They propose we use the Med-Cost Provider Network, which is very similar to the Blue

Cross Blue Shield Network that we have now. They presented four different options. Option A would be to continue with current (self-funding) stop loss \$30,000, and contracting with the county association to pay run out claims, Option B is \$40,000 stop loss, Option C is \$30,000 stop loss we have now, but they would pay any run out claims, and Option D would be \$40,000 stop loss, and they would pay run out claims. With their proposal we would have cost savings of \$53,000-\$86,000, so there would still be a cost savings. Mr. Matthews said my recommendation is that we go with one of the First Carolina plans, either the Projected or the Minimum Premium. He said as you can see we would have the biggest cost savings with them \$151,000 or \$249,000. He said the one risk with going with the minimum, which is my recommendation is going that route because we save the most, the risk is that if we have a good year we will save that amount of money, but if we have a bad year we are still self-insured, but that savings we talked about rolling into fund balance, but if we had a bad year we could take it out of fund balance or we could go with a higher premium.

Commissioner Morris asked if the employees would have to use certain doctors? Mr. Matthews said both of these are networks. First Carolina has their network. He said in talking with some of the employees is they use Stanly County. Mr. Matthews said they have an agreement worked out with Stanly County where they would be considered in their network. They would use all of the doctors in this area, Montgomery, Moore, Stanly, Richmond, and some in Randolph. Commissioner Morris said Randolph is included also? Mr. Matthews said in the out of network at 70% versus 80%.

Commissioner Bostic asked about the deductible. Mr. Matthews did a comparison of our current and proposed insurance benefits. He said some of the co-pays for First Carolina are cheaper. There are only a couple of places that are higher (i.e. brand name drug). He said we offset that with some cost savings in some other areas. Mr. Matthews said one of the good things is there is no individual or family deductible. Chairman Maness asked how much is it now? Mr. Matthews said \$500 and \$1500. The individual out of pocket is \$3,000 and under the First Carolina Care it is \$2,500. It is the same with family out-of-pocket is \$9,000 and theirs is only \$5,000. Under the current plan, three family members would have to meet the deductible. Another difference is under the current Blue Cross plan if you are admitted into the hospital you have to pay 80% plus the deductible. Under the First Carolina plan you pay 80% plus a \$500 co-pay. Anytime you are admitted you have to pay that co-pay, but you will not have a deductible. Mr. Matthews said you may have to be a co-pay to be admitted but you will save by not having to pay the deductible. The ER visits are half what they are under the Blue Cross Plan. Mr. Matthews said prenatal services the employees only have to pay \$15 instead of the 20%. He said there are pros and cons but there are more pros for First Carolina Care.

Commissioner Corbett said most people in the United States today would jump at that First Carolina Plan. Mr. Matthews said he thinks it is a very good plan, he said I was real surprised to be honest with you.

Chairman Maness said the benefits to the employees of Montgomery County are as good or better? Mr. Matthews said I think so. There is a little bit on the drugs and a little bit on the hospital stay, but it is more than made up in other areas. Chairman Maness said their cost? Mr. Matthews said their cost are definitely lower. He said under our current plan would have to pay \$682/month for family coverage, and if we went with the absolute minimum premium with First Carolina Care the employee would pay \$531/month for the family coverage.

The board discussed the risks and how it would affect the county. Mr. Matthews explained these risks.

Commissioner Bostic asked if it covers pre-existing conditions? Mr. Matthews said anytime you change yes it will cover pre-existing conditions for current employees, but new employees will have to wait.

Commissioner Morris asked if the insurance covers UNC Chapel Hill and/or Duke? Mr. Matthews said it covers Chapel Hill, but if there is a procedure that Duke offers that Chapel Hill doesn't, it will be covered as in network cost.

Commissioner Bostic said this is the equivalent of an HMO. Mr. Matthews said yes it is similar. Commissioner Knight asked as far as the employee is concerned, what are the disadvantages? Mr. Matthews said First Carolina Care is not as large as Blue Cross Blue Shield. He said someone could be across the state and need medical assistance, but they would still be covered but at 70% instead of 80%.

Commissioner Bostic said if you are traveling and need medical assistance and you pull out a Blue Cross Blue Shield Card, they would take care of you, this one is not as well known.

Mr. Matthews said Jordan Lumber and the City of Richmond have this insurance.

Commissioner Knight asked how this would affect the retirees? Mr. Matthews explained the policy on the retiree insurance. He said we have six or seven retirees.

Mr. Matthews said he did receive correspondence that looked at United Health Care, Principal and Signa. They said United Health Care does not have a network in our area, Principal wasn't interested in writing business at this time, and Signa was the only one that wasn't competitive.

Chairman Maness asked what is the pleasure of the board? Do we want representatives from First Carolina to come or do we want to study it ourselves? Commissioner Morris said I am concerned about if we have some big claims. Mr. Matthews said my only concern is that we need to make this decision pretty quick because our renewal rate is July 1.

The board decided to have a meeting with them Thursday morning, June 5, 2003 at 8:00 a.m.

Liability Insurance

Mr. Matthews said we received two quotes (Arthur J. Gallagher & Company - Carrier would be Argonaut and First Bank Insurance Services - Carrier would be St. Paul.) Mr. Matthews went over the spreadsheet comparing the quotes to the NCACC. Both quotes were lower. Our proposed rates for the NCACC pool is \$249,630. The total quote for Gallagher is \$222,000, but they have a terrorism clause and if we choose not to get the terrorism coverage, we can deduct that \$6,600. The terrorism coverage is only good if it is a certified act of terrorism, certified by the Federal Government and does not include domestic terrorism. I am saying I don't think anything will happen here in Troy in Montgomery County, I think it is worth the risk to not cover that. You will still have some savings but not as much. He said First Bank Insurance has the umbrella coverage and still save over \$42,000. He said we currently do not have an umbrella policy. Chairman Maness asked how much of an umbrella policy is it? Mr. Matthews said \$1 million. Mr. Matthews went over the deductibles. He said the biggest difference is the deductibles under the law enforcement and public officials.

Commissioner Knight asked Mr. Matthews if he thought with the NCACC pool there is some bargaining or lobbying power? Mr. Matthews said that is the reason the pool started in 1986.

The market got real hard and cities and counties couldn't get insurance. He said the cities and counties started the pool. I have always been an advocate of the NCACC Pool but with the increases, we are able not to shop with the market a little bit softer and get a better price, and until the county gets into a better financial situation, I recommend the county go out of the pool and go back in a year or two. Commissioner Knight said I hope the Pool is still there for us. Mr. Matthews said that is true too. Mr. Knight asked what if everyone got out of the pool? Chairman Maness said they need to the way the Pool has been going up. Commissioner Knight said these other companies may decide to go up next year.

Mr. Matthews said he has learned a lot from this.

Chairman Maness said this is a budgetary issue and Mr. Matthews has done a great job with this.

County Manager's Report

Mr. Matthews gave the following report:

- Annual EDC/Committee of 100 Dinner at MCC on June 24, 2003.
- July Meeting – The board usually meets on the 2nd Tuesday, which is July 8.
- Copy of Letter from Attorney in reference to Ruth Holroyd – she requested monetary damages plus back pay and it was turned down. Commissioner Knight asked if she won the suit how much would she have won? DSS Director Jim Sanders said over \$300,000 in total.
- Milwaukee National Conference is July 11-15. Mr. Matthews said he is getting the cost of airfare. Commissioner Bostic and Commissioner Knight said they were going.
- Received a letter in reference to the widening process of 24/27. He asked if the board wanted to comment for or against.
- Handed board the budgets for the other funds
- Told the board about a thank you letter.

He asked the board if they wanted him to go through the budgets or wait until the work session on Thursday? The board had him go through the budgets.

Court Facility Fees – Fund 15

Mr. Matthews explained that the jail study cost was in the General Fund but was able to move the expense to this fund.

Commissioner Corbett asked if the little courtroom the county just renovated would generate more money? Mr. Matthew said it may.

E911-Fund 20

Mr. Matthews went through the revenues and expenditures.

Capital Improvement Reserve – Fund 21 and Self-Insurance Fund - Fund 22 – nothing budgeted for these funds

Revaluation Fund – Fund 25

Mr. Matthews said the postage increase is because of revaluation. Commissioner Corbett asked if they are going house to house? Mr. Matthews said yes. Commissioner Knight asked if a similar amount will be in next year's budget for revaluation. Mr. Matthews said yes the county stretches the cost of the revaluation over eight years. He said we saved money because we did it in house.

Badin Lake – Fund 26

Mr. Matthews said he just received the budget for Badin Lake yesterday. He said he believes it is less than he has budgeted. Chairman Maness asked why it was so late? Mr. Matthew said I am not sure.

Drug Forfeiture – Fund 27

Mr. Matthews said this is money seized.

Lake Tillery – Fund 29

Mr. Matthews said he just received the tax valuation from Tax Administrator Vickie Maness yesterday and he said he will revise this for Thursday's work session.

County Debt Service – Fund 30

Mr. Matthews said we are going to put in the General Fund to eliminate having to transfer money.

Chairman Maness asked Mr. Matthews if he had any luck with the refinancing? Mr. Matthews said Finance Officer Cathy Baxter is looking into it and we will know soon.

Chairman Maness asked Mr. Matthews to asked Mrs. Baxter to get a list of debts, rates, etc. Mr. Maness said the rate should be better than 6%.

Mr. Matthews said most of the payments are due in June. Mr. Maness said have Mrs. Baxter put that on the list.

Fines/Forfeitures – Fund 72

Mr. Matthews explained this if pass through money to the schools.

Water Funds

Mr. Matthews went through each of the water fund recommended budgets for the board.

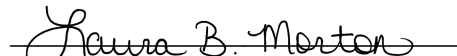
Items Carried Forward to the Regular Session

- Septic System Permit Application Fee Refund

There being no further business the meeting was adjourned.


William D. Maness, Chairman




Laura B. Morton, Clerk to the Board